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Non-consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

July 30, 2021

Company name: CONEXIO Corporation Stock exchange listing: Tokyo
Code number: 9422 URL: <https://www.conexio.co.jp>
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Scheduled date of filing quarterly securities report: August 12, 2021
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Non-consolidated Financial Results for the Three Months Ended June 30, 2021 (April 01, 2021 to June 30, 2021)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	46,026	38.5	1,891	16.9	1,907	16.1	1,486	35.4
June 30, 2020	33,225	(39.6)	1,618	(29.9)	1,643	(29.5)	1,098	(28.5)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	33.23	-
June 30, 2020	24.55	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2021	89,452	51,061	57.1
March 31, 2021	105,315	51,140	48.6

(Reference) Equity: As of June 30, 2021: ¥ 51,061 million
As of March 31, 2021: ¥ 51,140 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	30.00	-	35.00	65.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022(Forecast)		35.00	-	35.00	70.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	190,000	0.6	9,700	(9.1)	9,700	(12.4)	6,600	(12.4)	147.53

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Accounting policies adopted specially for the preparation of quarterly Non-consolidated financial statements: No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2021:	44,737,938 shares
March 31, 2021:	44,737,938 shares

2) Total number of treasury shares at the end of the period:

June 30, 2021:	153 shares
March 31, 2021:	153 shares

3) Average number of shares during the period:

Three months ended June 30, 2021:	44,737,785 shares
Three months ended June 30, 2020:	44,737,797 shares

*** This Financial Results is not subject to audit procedures.**

*** Explanation of appropriate use of financial forecasts and other special notes**

- Financial forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the time of preparing this report. The Company does not guarantee that any forecasts would be met. Actual results may vary significantly from the forecasts due to a wide range of factors. For information on assumptions of the financial forecasts and matters to be heeded upon using the financial forecasts, please refer to “(3) Financial Forecasts and Other Forward-Looking Information” on page 4 of the Appendix.

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Analysis of Operating Results

During the three months ended June 30, 2021, the Japanese economy continued to face challenging conditions, with the growing impact of the COVID-19 pandemic, resulting in the repeated declaration of a state of emergency mainly in the major metropolitan areas. As for its outlook, we will need to closely watch the impact of the trends of the pandemic on the economies both in Japan and overseas.

In the mobile phone market in which the Company conducts business activities, we continued operations while taking measures to prevent the spread of the infection and establishing an environment where customers could come to the shops and employees could come to work with peace of mind. Although a state of emergency was once again declared by the government, the market was revitalized as telecom carriers revamped their pricing plans. As a result, handsets compliant with the new telecommunication standard 5G (the 5th generation mobile telecommunication system) have also been gaining popularity. Meanwhile, as information gaps become greater with the progress of digitalization, we have commenced support toward creating a society where everyone can enjoy the benefits of digitalization by taking part in the government's "Project on Digital Utilization Support."

Under such a business environment, our handset unit sales have recovered from the previous year during which business activities were under voluntary restraints amid the spread of the COVID-19 pandemic, increasing significantly to 0.45 million units (up 55.4% year-on-year). In conjunction with this increase, revenue from the agency business for telecom carriers also increased significantly. In addition, revenue from our unique services (e.g., "nexi" service packages and mobile handset management and operation services) also increased. Despite the decline in support grants from telecom carriers and the increase in selling, general and administrative expenses due to the increase in personnel expenses and promotion expenses, profit for the period increased significantly, as a result of the reporting of extraordinary income in conjunction with the revision of the retirement benefits system, among others.

As a result, for the three months ended June 30, 2021, net sales were 46,026 million yen (up 38.5%), operating profit was 1,891 million yen (up 16.9%), ordinary profit was 1,907 million yen (up 16.1%), and profit was 1,486 million yen (up 35.4%).

In terms of changes in accounting policies, the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2022. Accordingly, comparisons with the same period of the previous fiscal year use figures calculated based on different standards.

◆ Financial results

Account title	(Million yen)		
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Year-on-year change (%)
Net sales	33,225	46,026	38.5
Operating profit	1,618	1,891	16.9
Ordinary profit	1,643	1,907	16.1
Profit	1,098	1,486	35.4

The financial results of each business segment were as follows.

Consumer Business

In the Consumer Business, the Company acts as an intermediary for concluding contracts for mobile phones and other communications services, provides after-sales services and sells handsets, etc., targeting at consumer customers. In addition, the Company provides its unique service “nexiplus” to meet the needs of smartphone users and strengthen the relationship with them, and the insurance agency business of “HOKEN NO MADOGUCHI”.

In the Consumer Business, revenue from the agency business for telecom carriers increased as a result of the reactionary increase in sales against the voluntary restraints placed on sales activities due to the COVID-19 pandemic in the previous fiscal year. Robust revenue from our unique services was also reported thanks to the growth of services such as smartphone coating and “nexi” service packages. As for the carrier-certified shops, we provided “COVID-19 Vaccination reservation Support” at the shops and provided nationwide COVID-19 vaccine information through our unique service, “nexi.” In addition, we have commenced initiatives toward creating a society where everyone can enjoy the benefits of digitalization by taking part in the “Project on Digital Utilization Support for Users” by the Ministry of Internal Affairs and Communications.

As a result, the financial results for the Consumer Business were 42,481 million yen in net sales (up 46.8%) and 2,513 million yen in operating profit (up 17.0%).

◆ Financial results

(Million yen)

Account title	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Year-on-year change (%)
Net sales	28,944	42,481	46.8
Operating profit	2,149	2,513	17.0

Corporate Business

In the Corporate Business, the Company acts as an intermediary for concluding contracts for mobile phones and other communication services, provides after-sales services and sells mobile phone handsets, etc., targeting at corporate customers. The Company also offers mobile handset management and operation services to corporate customers (outsourcing services covering mobile help desk, handset set-up (kitting), etc.), solution products, prepaid cards to convenience stores, and IoT solutions.

In the Corporate Business, revenue from our unique businesses increased in the mobile handset management and operation services (outsourcing services covering mobile help desk, handset set-up, etc.), as ongoing revenue accumulated due to the increase in the number of subscriptions to the service increased, driven by the promotion of telework in the previous fiscal year. Meanwhile, revenue from the agency business for telecom carriers failed to exceed the high levels of the previous fiscal year due to a decline in sales resulting from such factors as the effects of inventory shortages of mainstay models. As for IoT solutions, our “CONEXIOBlackBear” has been adopted by a partner company for its simple system of monitoring rotating machinery, thereby enabling the early detection of malfunctions and remote monitoring. Going forward we will continue to support the resolution of onsite issues through the utilization of IoT technology.

As a result, the financial results of the Corporate Business were 3,545 million yen in net sales (down 17.2%) and 474 million yen in operating profit (down 8.8%).

◆ Financial results

Account title	(Million yen)		
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Year-on-year change (%)
Net sales	4,281	3,545	(17.2)
Operating profit	519	474	(8.8)

(2) Analysis of Financial Position

Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 16,182 million yen from the end of the previous fiscal year to 69,732 million yen. This was mainly due to the decrease in accounts receivable-trade by 11,693 million yen, the decrease in accounts receivable-other by 4,977 million yen, and the decrease in merchandise and finished goods by 639 million yen.

Non-current assets increased by 318 million yen from the end of the previous fiscal year to 19,720 million yen. This was mainly due to the increase in investments and other assets by 556 million yen and the decrease in the right of carrier shop management by 166 million yen.

As a result, total assets decreased by 15,863 million yen from the end of the previous fiscal year to 89,452 million yen.

(Liabilities)

Current liabilities decreased by 14,290 million yen from the end of the previous fiscal year to 33,292 million yen. This was mainly due to the decrease in accounts payable-trade by 6,055 million yen, the decrease in accounts payable-other by 4,053 million yen, the decrease in provision for bonuses by 2,651 million yen, the decrease in accrued agency commission by 2,163 million yen, and the decrease in income taxes payable by 1,110 million yen.

Non-current liabilities decreased by 1,492 million yen from the end of the previous fiscal year to 5,098 million yen. This was mainly due to the decrease in provision for retirement benefits by 2,856 million yen as a result of a partial change in the retirement benefits system.

As a result, total liabilities decreased by 15,783 million yen from the end of the previous fiscal year to 38,391 million yen.

(Net assets)

Net assets decreased by 79 million yen from the end of the previous fiscal year to 51,061 million yen. This was mainly due to the increase as a result of the recognition of profit of 1,486 million yen and the decrease as a result of dividend payment of 1,565 million yen.

As a result, the Company's equity ratio was 57.1%.

(3) Financial Forecasts and Other Forward-Looking Information

During the three months ended June 30, 2021, the following percentages of forecasts were met: 24.2% of net sales; 19.5% of operating profit; 19.7% of ordinary profit; and 22.5% of profit. At this stage, no changes have been made to the full-year financial forecasts announced on April 30, 2021. The Company will properly disclose any changes made to the forecasts in the future.

2. Quarterly Non-consolidated Financial Statements

(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	21,550	22,602
Accounts receivable - trade	29,038	17,344
Merchandise and finished goods	6,295	5,656
Accounts receivable - other	27,788	22,811
Deposits paid	114	115
Other	1,131	1,208
Allowance for doubtful accounts	(5)	(5)
Total current assets	85,914	69,732
Non-current assets		
Property, plant and equipment	4,014	3,963
Intangible assets		
Goodwill	1,306	1,283
The right of career shop management	7,654	7,487
Other	449	452
Total intangible assets	9,410	9,224
Investments and other assets	5,976	6,532
Total non-current assets	19,401	19,720
Total assets	105,315	89,452
Liabilities		
Current liabilities		
Accounts payable - trade	14,756	8,701
Accrued agency commission	6,370	4,207
Accounts payable - other	14,505	10,451
Income taxes payable	2,022	911
Provision for bonuses	4,829	2,178
Provision for bonuses for directors (and other officers)	81	6
Other	5,017	6,835
Total current liabilities	47,583	33,292
Non-current liabilities		
Provision for bonuses	-	6
Provision for directors' bonuses	-	2
Provision for retirement benefits	5,894	3,037
Asset retirement obligations	595	616
Other	102	1,435
Total non-current liabilities	6,591	5,098
Total liabilities	54,174	38,391

(Million yen)

	As of March 31,2021	As of June 30,2021
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	47,774	47,695
Treasury shares	(0)	(0)
Total shareholders' equity	51,138	51,059
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	1
Total valuation and translation adjustments	2	1
Total net assets	51,140	51,061
Total liabilities and net assets	105,315	89,452

(2) Quarterly Non-consolidated Statements of Income

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	33,225	46,026
Cost of sales	22,543	32,739
Gross profit	10,682	13,287
Selling, general and administrative expenses	9,063	11,396
Operating profit	1,618	1,891
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	5	11
Reversal of allowance for doubtful accounts	-	0
Penalty income	17	-
Other	3	5
Total non-operating income	26	17
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	-
Provision of allowance for doubtful accounts	0	-
Loss on cancellation of contracts	-	0
Loss on investments in investment partnerships	-	0
Other	0	0
Total non-operating expenses	1	1
Ordinary profit	1,643	1,907
Extraordinary income		
Gain on sale of non-current assets	24	-
Compensation for forced relocation	-	165
Gain on revision of retirement benefit plan	-	280
Other	0	-
Total extraordinary income	25	445
Extraordinary losses		
Head office relocation expenses	-	127
Loss on store closings	2	1
Loss on sale and retirement of non-current assets	2	3
Impairment losses	-	0
Total extraordinary losses	4	133
Profit before income taxes	1,663	2,219
Income taxes - current	612	778
Income taxes - deferred	(47)	(45)
Total income taxes	565	732
Profit	1,098	1,486